~~#5~~

XV

~~XL5428~~

CONFIDENTIAL

XR

097.3
Z1092
No 2502

CIVIL AFFAIRS GUIDE

German Insurance Companies -- Suggested Controls

R & A No. 2502

DEPARTMENT OF STATE
REFERENCE DIVISION
FILE COPY
PLEASE RETURN
REF

15 December 1944

Note: Draft not yet approved by the Editorial Committee on Civil Affairs Studies

Prepared for the

CIVIL AFFAIRS DIVISION
WAR DEPARTMENT

by

Research and Analysis Branch

Office of Strategic Services

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 USC 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

Copy No. 27

CONFIDENTIAL

XL5428

CONFIDENTIAL

NOTE

This Guide should be read together with the following Civil Affairs Guides:

German Reichsbank Policy and Control

German Public Property

The present work examines more fully those specific problems which make necessary effective control and utilization of the German insurance enterprises. A description of the structure and functions of German insurance will be found in Civil Affairs Handbook: Germany -- Money and Banking. Such data which are necessary for making recommendations are reproduced in this present Guide and brought up to date.

CONFIDENTIAL

TABLE OF CONTENTS

Page

Glossary.. iv

Summary... vi

I. Necessity for Control.................................. 1

- A. Insurance as a Source of Strategic Intelligence 2
- B. Insurance as a Means of Economic Penetration... 3
- C. Insurance as a Stabilizing Factor in German Economic Life.............................. 3
- D. German Insurance and the National Income....... 4
- E. Insurance as a Stabilizing Factor in the German Balance of Payments.................. 4
- F. Interconnection between Insurance, Banking, and Industry.............................. 5
- G. Insurance as a Political Instrument........... 6
- H. Insurance and the Munich Cartel............... 7

II. The German Insurance Structure....................... 9

- A. Categories of Insurance Carriers.............. 9
- B. Existing Controls............................. 13
  - 1. Economic Controls.......................... 13
  - 2. Technical Controls......................... 14
- C. Structure of the Insurance Industry........... 18
- D. Insurance Trends and Factors.................. 30
  - 1. Life Insurance............................. 30
  - 2. Property Insurance......................... 34
- E. International Insurance Operations............ 37
  - 1. Foreign Insurance in Germany............... 37
  - 2. German Insurance in Foreign Countries...... 38

III. Recommendations..................................... 42

- A. General Aims.................................. 42
- B. The Legal Basis of Power over German Insurance 43
- C. Allied Insurance Controller................... 47
  - 1. Operations Branch.......................... 49
  - 2. Intelligence Branch........................ 50
- D. Implementation of Control..................... 51
  - 1. Freedom of German Insurance within Germany.. 51
  - 2. Exclusion of German Insurance from Foreign Markets.................................. 53
  - 3. Operations of Allied Insurance in Germany... 55
  - 4. Liquidation of the Munich Reinsurance Company.................................. 58

GLOSSARY

Technical Terms Used, with Explanations

Bordereau:	Form on which itemized list of reinsurance cessions or claims is reported. Rendered periodically.
Cede:	To reinsure.
Cession:	A reinsurance transaction; generally refers to the formal reporting of a reinsurance transaction on an accounting form.
Contributing Excess:	Share participation in portion of liability reinsured on the excess basis. Synonym: Share part of excess.
Excess Reinsurance:	Basis of reinsurance under which reinsurer's liability attaches only after loss exceeds a predetermined amount. Synonym: Excess of loss.
Facultative Reinsurance:	System under which reinsurance is offered and accepted on an individual risk or relatively small group of risks. Characterized by the lack of compulsion on part of either party to enter into the agreement. Sometimes referred to as special reinsurance, or specific reinsurance.
Line:	The amount of reinsurance stated in terms of the insurer's retention. E.g. if an insurer's retention is $5,000, then a cession of $10,000 would be two lines.
Portfolio:	Reinsurance relating to the unexpired portion of business in force.
Quota Share:	Form of reinsurance contract under which reinsurer receives a fixed fraction of insurer's liability on each risk written.
Reinsurance:	Insurance procured by an insurer to protect itself against the consequences of all or a portion of the liability assumed under its own insurance policy.
Reinsurance Reserve:	Unearned premium reserve.

Reinsured:	The party to which reinsurance coverage is afforded. Synonyms: ceding company; ceder: direct writer; direct insurer; original insurer.
Reinsurer:	The party providing reinsurance coverage. Sometimes called the Accepter.
Retention:	The portion of risk to be retained by an insurer for its own account. Sometimes called the retained line.
Retrocedent:	The party to which retrocessional coverage is afforded. Synonym: retrocessionary.
Retrocession:	Reinsurance procured by a reinsurer.
Retrocessionaire:	The party providing retrocessional coverage.
"Shadow" Agreements:	Reinsurance stipulations made between one party of a reinsurance contract and a third party insurer with a view to taking over rights and obligations of those original parties which become enemies through the outbreak of a war or with which communications are severed.
Share Reinsurance:	Basis of reinsurance under which reinsurer participates proportionately in premium and all losses, regardless of amount. Synonyms: pro-rata; contributing; participating.
Surplus:	Amount of liability which remains after insurer has fixed his retention. Synonym: excess (marine; sometimes fire).
Treaty:	A blanket arrangement under which a reinsurer agrees in advance to accept reinsurance on a certain prescribed basis in respect of an insurer's future business which falls within the scope of the arrangement. Generally characterized by its obligatory nature and its application to many future transactions.

SUMMARY

1. Control over German insurance is deemed necessary both for strategic and economic reasons.

2. The German insurance industry is highly concentrated, with a few concerns dominating the domestic market.

3. The Munich Reinsurance Company, Munich, Bavaria, is the core of the insurance economy of Germany, of the formerly occupied countries, and, to some extent, of the whole of Europe.

4. The German State has no such relationship to, or interest in, this combine that it could, under international or local law, be treated as public property and accordingly be seized by Military Government.

5. An Allied Insurance Controller should be established within Military Government for the purpose of seeing that:

a. German direct and reinsurance operations in foreign countries shall be stopped;

b. German-controlled insurance or reinsurance concentration shall be broken up insofar as it serves as a tool for the economic domination of Europe (Munich Cartel);

c. Insurance as a source of strategic intelligence on foreign industries and operations shall no longer be available to Germany;

d. German insurance data shall be made available to the United Nations insofar as they serve as a means of controlling German economic demobilization and demilitarization.

6. The plan which is recommended for integrating the prerequisites of guaranteeing Allied security, dismantling German insurance and reinsurance domination abroad and facilitating international insurance exchange, is an outright prohibition of German insurance and reinsurance transactions abroad, perhaps limited to a certain period of years. German direct or reinsurance interests would also be forbidden to enter foreign markets under the disguise of national companies established in foreign countries and owned directly or indirectly by Germans.

7. The Munich Reinsurance Company, Munich, and its foreign affiliates, are to be liquidated under Allied supervision.

8. Otherwise, transfer of title to, and interest in, insurance enterprises and properties within Germany should not be prohibited; German insurance within Germany shall be free to formulate its own policies insofar as it is compatible with the purpose of the occupation.

9. Allied insurance and reinsurance enterprises shall be permitted to operate in Germany under the same terms and conditions as German establishments. No discriminatory laws against insurance carriers, brokers or agents licensed in Allied countries and transacting business in Germany shall be permitted.

10. Military Government should not assume direct management or custody of German insurance combines or administer German insurance interests but should rely only on indirect controls and supervision of the local management to determine whether its directives are obeyed.

11. The Allied Insurance Controller shall be vested with the broadest powers to obtain information and to investigate the capitalization, corporate structure, business, and political activities of all German insurance enterprises and the important employees, auxiliaries, and intermediaries thereof. To this effect, it should work in close cooperation with the existing legal, technical, and actuarial control agency in Germany, the Reichsaufsichtsamt fuer Privatversicherung.

12. Responsibility for the liquidation of the Munich Cartel and the de-Nazification of constituent insurance enterprises and key positions within German insurance generally should be placed upon the officers assigned to the Allied Insurance Controller pursuant to general instructions. The Allied Insurance Controller shall assist the foreign trade control and property control authorities with regard to the specific problems of insurance in connection with restitution, reparation, and liquidation.

GERMAN INSURANCE COMPANIES -- SUGGESTED CONTROLS

I. NECESSITY FOR CONTROL

German insurance as it stands today conflicts in many respects not only with the theories and practices for which German insurance had previously stood but also with the practice which, in Anglo-American countries, is traditionally connected with the function of insurance. This conflict alone does not suffice to impose upon Military Government a duty to revise or supervise German insurance. The operation of insurance companies and their relations to the German public are a problem whose solution may be left to the German people and are not a matter of concern for Military Government until it is explicitly directed to take such action.

Recognition of, and respect for, such freedom of action in the German insurance structure does not, however, imply that Military Government can disregard German insurance altogether. German insurance presents features which call for the attention of and action by Military Government, not only for the orderly development of German political and social life, but also for the security of the occupying army and the execution of the policies and purposes of the United Nations. It is a matter of concern for Military Government under the following aspects:

A. Strategic Intelligence
B. Economic Penetration
C. Economic Stabilization
D. German National Income
E. German Balance of Payments
F. Interconnection with Banking, Industry, and Combines
G. Insurance and the Nazi Party
H. Insurance in the Munich Cartel

A. Insurance as a Source of Strategic Intelligence

International insurance has been one of the chief means by which the Axis has obtained military and strategic information regarding the United Nations, particularly since the first World War. Starting about 1927, Germany, Italy, and Japan, through government-supported insurance companies, established branch offices of German, Italian, and Japanese insurance companies throughout the world. Plans were obtained of munitions factories, key manufacturing districts, docks and harbors, even fortifications, located in Allied Nations' territory. Capacities to produce strategic materials, carrier potentialities and other such strategic information were likewise secured.

After the outbreak of the present war, information relative to sailing dates, cargoes, and destination of ships was received through this source by the Axis. By use of the insurance companies, furthermore, credits were established in neutral nations and used to pay agents for their subversive activities in Allied countries.

B. Insurance as a Means of Economic Penetration

German and Italian companies virtually monopolized the field of insurance in Europe. By replacing British and other companies in the reinsurance field and extending their own previously strong position, the Axis reinsurance companies have integrated the whole insurance structure of the Continent into a powerful instrument of economic control.

Through dominance of reinsurance, Axis companies, closely allied with their governments, were able to:

1. take the cream of the insurance business in occupied countries, leaving the inferior risks to the domestic companies;
2. double and triple the profits of some Axis companies;
3. control the investment and management policies of insurance companies in the occupied areas which, in turn, exercised a large measure of control upon financial affairs and industrial enterprises.

Resting as it does upon contract rather than property, this chain of control will be exceedingly difficult to untangle in the post-war period.

C. Insurance as a Stabilizing Factor in German Economic Life

Since economic life in any given area cannot function without at least a certain minimum of insurance protection, the maintenance of a working German insurance system is of importance to the Allied authorities in Germany.

D. German Insurance and the National Income

Aside from the specific task of providing a means of hedging against the mortality risks of individuals and many of the other risks to which individuals and business enterprises are subject, insurance carriers are of outstanding importance as a repository for the money savings of the public. According to official calculations total money capital accumulation in Germany amounted to RM 30 billion between 1933 and early in 1939. During the same period, capital investments originating in premium payments by policyholders of life insurance companies alone amounted to RM 3 billion, i.e., 10 percent of total money capital formation. During the war period, insurance companies have continued to mobilize funds for investment in Reich securities, but in this respect have been far outstripped by such other institutions as the savings banks. From the end of 1938 to the end of 1942, the Reich borrowed a total of RM 149 billion, of which insurance companies supplied around RM 6 billion.

E. Insurance as a Stabilizing Factor in the German Balance of Payments

Unlike the United States, Germany had always had an urgent need for foreign exchange. Reinsurance proved to be one of the most fruitful sources of its procurement. The value of reinsurance to the German treasury and war finance may best be judged by the fact that in the whole German economic system, reinsurance companies alone have been exempt, since 1931, from exchange control and the prohibition of export of funds. This exemption has been granted only because the advantage lies with the Reich. In other words, due to reinsurance income, the balance of insurance payments with foreign countries has been favorable, although the direct German-foreign business alone has been consistently unprofitable. The total yearly premium income of the professional reinsurance companies in Germany was more than RM 450 million in 1939; leading German insurance executives have estimated that more than half of this amount was then collected from foreign sources, but exact figures have never been divulged.

F. Interconnection between Insurance, Banking, and Industry

Close relationships exist between the leading insurance companies and the leading banks and industrial enterprises, as manifested by the prominence of important bankers and executives on the boards of directors of the companies. In part, the presence of prominent bankers on the boards of insurance companies simply reflects the desire of the companies to inspire public confidence in the soundness of their institution. At the same time, it is evidence of the community of interest between insurance companies and banks; the former have need of extensive banking services while the latter are in a position -- particularly because of their industrial participations -- to direct substantial insurance business to the companies. Certain heavy industries in the Rhineland and the armament industry in Austria and Czechoslovakia control insurance companies completely.

The problems posed by the German industrial concentration make the interconnected insurance interests a matter of concern for Military Government.

G. Insurance as a Political Instrument

Insurance being a profitable source of income, the Nazi party itself and prominent leaders exploited it. Dr. Robert Ley, chief of the German Labor Front, absorbed for the Party and for himself most of the companies operated until 1933 by the German trade unions. The Party concern, the Deutscher Ring, has not only shot ahead within Germany to a 5-billion mark concern, ignoring all principles of insurance selection, but has also spread like a spider web throughout occupied countries by absorbing and integrating foreign companies into the Nazi machinery. There is abundant evidence of economic looting, political propaganda, and military espionage conducted by such concerns. Using their Party position as a pressure, Dr. Hans Goebbels, a brother of the Propaganda Minister, and Hans Schwede-Coburg, both high-ranking officials in the Nazi hierarchy and owners of powerful German insurance concerns, have similarly exploited their interests.

The poorest stratum of the German population, which has been driven to invest its savings with those concerns, will be affected when these men disappear, their companies disintegrate, and the German Labor Front collapses. The task of lifting the espionage net surrounding these companies, of unscrambling their political and corporate tie-ups with the Nazi hierarchy, will be a primary task for Military Government.

H. Insurance and the Munich Cartel

Before the war, British insurance had a predominant position in certain fields in Germany and on the Continent. The instrument which the Germans devised as a substitute for London and Lloyds was the "Association for the Coverage of Major Risks." Established in 1941 under the auspices of the Munich Reinsurance Company and administered by that company, it was created as a transient and makeshift stop-gap for those London insurance facilities which were lacking, particularly those which covered peak and target risks exceeding the underwriting capacities of the individual German and Continental companies. Most European companies, except those covering life insurance, joined the pool. Companies in neutral nations were also included.

As a means of obtaining a maximum potential of risk distribution from the Continental economy, in which there was so much narrow-mindedness before the impact of the war, the Munich system is logically simple. Since reinsurance is a prime necessity, the European economies, deprived of the London and overseas reinsurance markets, were forced to find within the Continental confines the protection they had lost elsewhere.

II. THE GERMAN INSURANCE STRUCTURE

A. Categories of Insurance Carriers

Insurance transactions[1] are confined by German insurance law to companies organized in corporate form or on a mutual basis. The mutuals are cooperative enterprises which return to the policyholders all profits resulting from their operation.

German insurance companies may also be divided into two major classes according to ownership: public-law insurance organizations (Oeffentlich-rechtliche Anstalten) and private-(law) insurance companies (Privatversicherungs-Anstalten).

Public insurance companies are insurance carriers owned or administered by public bodies such as states, provinces, counties, or cities, and are not subject to the Corporations Law, which applies solely to private insurance carriers. Public bodies frequently founded public insurance offices for the express purpose of providing inexpensive insurance coverage for certain types of risks or for groups of persons, which offered little opportunity for large profits and had been neglected by the private carriers. Since they were not interested in profits, the public insurance institutions found a wide field in rural sections where policies with small face values could be sold. The public institutions can also enter a field where the cost of selling is comparatively high. Such concerns also offer low-premium life policies to workers and artisans and provide hail insurance in regions particularly exposed to hail damage. With the exception of the Deutsche Beamtenversicherung, which provides insurance coverage to civil servants in all parts of the Reich, the public companies confine their activities to limited areas, usually to a province or a state.

---

[1] This chapter follows in part the historical development as traced in Civil Affairs Handbook: Germany - Money and Banking, bringing the data contained therein up to date.

A large number of public insurance offices have been set up by the administrative subdivisions of states for the purpose of providing fire risk coverage to groups of property owners who were required by law to take out fire policies. Such obligatory fire insurance is sometimes confined to limited localities only; in Berlin, for instance, only owners of property in the oldest parts of town are forced to insure against fire with the Städtische Feuersozietät, Berlin. In addition to the Berlin, Stettin, and Breslau fire insurance offices, most public insurance institutions outside Prussia -- some in lines other than fire -- belong to this group of so-called "compulsory offices" (Zwangsanstalten). The remaining public companies -- including the bulk of those in Prussia -- are so-called "competitive offices" (Wettbewerbsanstalten), which frequently are designated simultaneously as compulsory insurance offices for certain groups of persons.

A peculiar characteristic of public insurance offices is the use they make of their collective organizations, which discharge functions performed in the private insurance sector by individual companies. The association of public life insurance institutions, for instance, provides its members upon request with a great variety of technical services like actuarial computations, auditing, and legal and medical work. Another leading organization of public-law companies, the association of public fire insurance institutions, has established the Deutscher Gemeinnützziger Rückversicherungsverband A.G., which acts as a reinsurance company for the association members.

Such arrangements, as well as certain tax exemptions and administrative facilities furnished to public offices by their founders, reduce the expenses of the public-law companies and improve their competitive situation relative to the private companies. Moreover, in the field of publicity, public insurance offices benefit by close association with public savings banks, which furnish the companies with an efficient advertising medium by giving out printed material to bank customers. Savings banks also frequently act as premium collection agents for public insurance offices.

Public and private insurance companies work on a competitive basis. According to the latest German estimates,[1] private and public insurance companies share in the market in the proportion of about 2/3 to 1/3, the private insurance companies insuring 60.7 percent of the capital insured and issuing 63.1 percent of all policies. The total number of life companies revealing their respective business and the relationship between mutual companies and stock companies, on the one hand, and private and public insurance companies, on the other, is shown in the following chart:

				Amounts insured		Policies issued	
		Number of concerns	Types of concerns in percentages	in billion RM	in percentages	in million RM	in percentages
Mutuals	private insurance	36	35.7	10.6	23.1	12.3	25.8
Stock companies		46	45.5	27.8	60.7	30.0	63.1
Public companies	public insurance	18	17.8	4.1	9.0	2.1	4.4
Deutsche Beamten		1	1.0	3.3	7.2	3.2	6.7
	Total	101	100.0	45.8	100.0	47.6	100.0

---

[1] Deutsche Volkswirtschaft, 3 August 1944.

B. Existing Controls

1. Economic Controls. Insurance is integrated into the Nazi economic order through the Reichsgruppe Versicherungen, of which all insurance carriers, brokers and agents, and even public enterprises, must be members.[1]

The leader of the Reichsgruppe is Dr. Hilgard, who is also the General Manager of the Allianz of Berlin. The secretarial work and the management of the group lies in the hands of H. D. Naumann, an attorney. The offices of the group are located at Berlin C2, Kaiser-Wilhelm Street 1-3, Telephone: 51 00 26.

The insurance group, the kernel of the structure, is subdivided into nine Fachgruppen (trade groups), all of which are in turn subdivided into Fachuntergruppen (sub-trade groups).

The following are the trade groups, insurance, and their respective leaders:

a. Trade Group Property Insurance I -
Leader: Bothe.

b. Trade Group Property Insurance II -
Leader: Reinhard Jacob

c. Trade Group Life and Health Insurance -
Leader: Kratochwill.

d. Trade Group Motor Insurance -
Leader: Dr. Huschelrath.

---

[1] The groups, as functional organization of Nazi business, are fully described in Civil Affairs Handbook: Germany, Government and Administration; Economic Controls in Nazi Germany, pp. 57 ff.

e. Trade Group Accident Insurance -
Leader: Reuther.

f. Trade Group Liability Insurance -
Leader: Dr. Schmidt-Polex.

g. Trade Group Reinsurance and Credit Insurance -
Leader: Dr. Alzheimer.

h. War Pool Transport Insurance -
Leader: Schnell.

i. Trade Group Insurance Agents -
Leader: Karl Autenrieth.

The leaders of the Reichsgruppe and of the various Wirtschaftsgruppen are also members of the Reichsversicherungsausschuss, an organization set up by a decree of the Reichswirtschaftsminister of 29 December 1939, to act in an advisory capacity to the Minister on insurance problems. An old time Nazi, State Counsellor Schwede-Coburg, a Gauleiter, Prussian Provincial President, and chairman of various national organizations of public-law insurance companies, was appointed chairman of this committee. Dr. Kurt Schmitt, president of the Münchner Rückversicherungsgesellschaft and former Minister for Economic Affairs, and Hans Goebbels, brother of Joseph and vice-chairman under Schwede-Coburg of national organizations in the public-law insurance field, were appointed deputies.

2. Technical Controls. Close supervision of all operations by insurance companies has long been regarded in Germany

as essential to the public interest. Relations between the insurer and policyholders are governed by the Reichsgesetz über den Versicherungsvertrag of 30 May 1908, which applies to to all insurance companies except those engaged solely in the marine and reinsurance business. Various amendments to this law, none of them fundamental, were introduced by the decree for the unification of insurance contract law of 19 December 1939. If the interests of policyholders warrant it, existing insurance contracts and the basic terms to which they are subject may be changed by order of the Reichsaufsichtsamt für Versicherung,[1] an agency in the Reichswirtschaftsministerium. The functions of this office are regulated by the insurance supervision law of 6 June 1931, which vests in the agency close administrative control over the major part of German insurance business, with the exception of reinsurance companies, transport insurers, and intra-state companies. The two former types were excepted because most of their customers are commercial enterprises. Supervision of intra-state companies was left to the states, but can be transferred to the Reichsaufsichtsamt by order of the Reichswirtschaftsminister if the state government applies for such a change; in 1939, insurance companies confining their operations to Prussia, Bavaria, and Baden were subject to Reich supervision.

---

[1] Before March 1943, the Reichsaufsichtsamt für Privatversicherung; in that month the agency was given general jurisdiction over public-law as well as private companies. Address: Berlin W 15; Ludwigkirchplatz 3/4. Telephone: 92 51 51. President: Peter Schmitt.

According to the law of 1931, the decision as to whether a given concern is to be regarded as an insurance enterprise and whether it should be subjected to supervision rests with the Reichsaufsichtsamt. A great many funds, associations, and other organizations which had escaped government supervision under the guise of being organized exclusively for relief and not for insurance, were pronounced to be insurance companies. The law standardizes rules relating to bookkeeping and to the publication of balance sheets. It also provides for continuous supervision of the operations of insurance companies, giving the Reichsaufsichtsamt wide discretionary powers. The law further provides that this office should examine the books of the companies under its supervision at least once every five years. In addition, the final balance sheet, books, and accounts of each company are examined annually by an independent auditor whose appointment requires the approval of the Reichsaufsichtsamt.

The mathematical reserve fund must be accounted for separately from all other assets of the company, and at the end of each financial year, a report on all entries made in the fund accounts during the year has to be submitted to the Reichsaufsichtsamt. The administration of the fund is supervised by an independent trustee, who can inspect the respective books and papers of a company at any time. A sale of assets belonging to the reserve fund requires the written authority of the trustee, who could submit any controversy between himself and the insurance company, so far as it arose out of the execution of his duties, to the Reichsaufsichtsamt. Investments of the mathematical reserves of life insurance companies principally are legally confined to first mortgages, revenue-producing real estate, securities of the Reich and other public bodies, and loans to public-law corporations and to policyholders. Since premium reserves account for approximately 90 percent of the total capital investment of life insurance companies, the over-all investment policy of such companies is governed by the law's provisions.

Persons desirous of engaging in insurance operations require a license from the Reichsaufsichtsamt. By a decree of 5 March 1937, this office was directed to refuse a license to applicants who were unable to submit proof of adequate professional qualifications or in cases where local and general economic needs did not warrant the establishment of additional insurance enterprises. The Reichsaufsichtsamt has apparently considered the number of companies sufficiently large to satisfy all needs and has generally refused, in spite of a multitude of applications, to permit the establishment of new companies. A license is also required for the expansion of an existing company into new fields of insurance, and applications for such licenses are judged according to similar considerations.

C. Structure of the Insurance Industry

German private insurance is dominated by a large conglomeration of companies under a unified managerial control; competition among members of such a Konzern engaged in the same business is largely eliminated. The factors for this movement toward concentration may be summarized as follows:

1. First and foremost, movements toward concentration in insurance are motivated by the technique of the profession itself. The two maxims on which insurance is based, "the law of averages" and "the law of the large numbers" work as a powerful incentive toward centralization and integration within the profession.

2. Under the German and Italian insurance control laws, companies cannot engage in both life and property insurance. Insurers and agents, however, in order to be able to offer their customers all types of coverage, have established nominally separate companies which are, in effect, completely integrated in the owning company from a financial and managerial point of view.

3. German inflation, and, to a lesser extent, the weakening of the Italian lire largely depleted corporate

capital assets and resulted in the desire of weaker companies to become members of larger groups.

4. Since professional German and Italian reinsurance companies act as bankers for newly established firms or newly exploited lines, they have gained control of sections of the insurance market by taking over blocks of shares in direct insurance companies.

5. Direct insurance companies, on the other hand, are eager to have continuous reinsurance relations, and, to assure reciprocity, they have established or bought their own reinsurance firms.

6. The natural process of risk distribution and the concentration of industrial risks in the Axis have stimulated insurance combinations leading to the exclusion of weaker companies.

7. The final blow to small insurance businesses was the manpower decree of the Fuehrer in March 1943, resulting in forced reduction of personnel, prohibition of sales publicity and the compulsory merger of agencies and business contraction.

LEADING INSURANCE COMBINES AND GROUPS

Aachener (Rheinische) Interessengruppe

Aachener und Munchener Feuer-Vers.-Ges., Aachen
Aachener und Munchener Lebensvers. A.G., Potsdam
Aachener Ruckvers.-Ges., Aachen
Fortuna Ruckvers.-A.G., Erfurt
Hamburg-Bremer Feuer-Vers.-Ges., Hamburg
Hamburg-Bremer Ruckvers.-Ges., Hamburg
Motag, Versicherungs-A.G., Berlin

Aachener (Rheinische) Interessengruppe (continued)

Nordstern Allgemeine Vers. A.G., Berlin
Nordstern Lebensversicherungs A.G., Berlin
Oldenburger Vers.-Ges., Oldenburg
Hamburg Allgemeine Vers. A.-G., Hamburg
Ruckvers.-Vereinigung A.-G., Berlin
Wiener Ruckvers.-Ges., Vienna
Schlesische Feuer-Vers.-Ges., Breslau
Thuringia Vers.-A.G., Erfurt

Agrippina-Gruppe

Agrippina, See-, Fluss- und Landtransport-Versicherungs-Gesellschaft, Cologne
Kolner Lloyd, Allgemeine Versicherungs-Aktien Gesellschaft, Cologne
Mitteleuropaische Versicherungs A.-G., Cologne
Agrippina Allgemeine Versicherungs-A.G., Cologne
Agrippina Lebensversicherungs-A.G., Berlin
Patria Versicherungs-A.G., Cologne

Allianz Konzern, reinsured with Munich Reinsurance Company

Allianz Versicherungs-Aktiengesellschaft, Berlin
Allianz Lebensversicherungs-A.G., Berlin
Badische Pferdeversicherungs-Anstalt A.G., Karlsruhe
Bayerische Versicherungsbank A.-G., Munich
Globus Versicherungs-A.G., Hamburg
Kraft Versicherungs-A.G., Berlin
Frankfurter Versicherungs-A.G., Frankfurt a. M.
Union Allgem. Deutsche Hagel-Versicherungs-A.G., Weimar
Wiener Allianz Versicherungs-A.G., Vienna
Deutscher Luftpool, Berlin

Deutscher Ring

Deutscher Ring Lebensversicherungs-A.G. der DAF, Hamburg
Deutscher Ring Oesterreichische Lebensversicherung-A.G. der DAF, Vienna
Deutscher Ring Krankenversicherung Verein auf Gegenseitigkeit, Hamburg
Deutscher Ring Oesterreichische Krankenversicherung Anstalt auf Gegenseitigkeit, Vienna
Deutscher Ring Transport-und Fahrzeug-Versicherungs-A.G., Hamburg

Gerling Konzern

A. Property Insurance

Gerling-Konzern Allgem. Versicherungs-A.G., Cologne

B. Life Insurance

Gerling-Konzern Lebensversicherungs-A.G., Cologne
Friedrich Wilhelm Lebensversicherungs-A.G., Berlin
Magdeburger Lebens-Versicherungs-Gesellschaft, Magdeburg

C. Reinsurance

Gerling-Konzern **Rheinische** Versicherungs-Gruppe A.G., Cologne
Gerling-Konzern Ruckversicherungs-A.G., Cologne

Gladbacher Gruppe

Gladbacher Feuerversicherungs-A.G., M. Gladbach
Gladbacher Lebensversicherung-A.G., M. Gladbach
Gladbacher Ruckversicherungs-A.G., M. Gladbach

Iduna-Germania Versicherungs-Gesellschaften

Iduna-Germania Allgemeine Versicherungs-A.G., Berlin
Iduna-Germania Lebens-Versicherungsgesellschaft auf Gegenseitigkeit, Berlin

Leipziger Feuer-Versicherungs-Anstalt

Alte Leipziger Lebensversicherungsgesellschaft auf Gegenseitigkeit, Leipzig
Leipziger Allgemeine, Transport- und Ruckversicherungs-A.G., Leipzig
Heimat Allgemeine Versicherungs A.G., Vienna

Albingia-Mannheimer-Konzern

Mannheimer Versicherungsgesellschaft, Mannheim
Mannheimer Lebensversicherungs-Gesellschaft A.G., Berlin
Albingia, Hamburg

"National" Allgemeine Vers. A.G.

"National" Lebensversicherungs-A.G., Stettin
Stettiner Ruckversicherungs-A.G., Stettin

Nord-Deutsche Gruppe

Nord-Deutsche Versicherungs-Gesellschaft, Hamburg
Nord-Deutsche Lebensversicherungs-A.G., Hamburg

Rheinische Interessen Gruppe: see under Aachener Interessengruppe

Victoria-Konzern

Victoria zu Berlin, Allgemeine Vers.-A.G., Berlin
Victoria, Feuer-Versicherungs-A.G., Berlin
Victoria, Ruckversicherungs-A.G., Berlin
Victoria am Rhein, Allgemeine Versicherungs-A.G., Düsseldorf
Victoria am Rhein, Feuer- und Transport-Versicherungs-A.G., Düsseldorf
Vorsorge, Lebensversicherungs-A.G., Berlin

Versicherungsgruppe Volksfursorge

Volksfursorge, Lebensversicherungs-A.G. der Deutschen Arbeitsfront, Hamburg
Ostmarkische Volksfursorge Lebensversicherungs-A.G. der Deutschen Arbeitsfront, Vienna
Sudetendeutsche Volksfursorge Lebensversicherungs-A.G., Aussig
Gisela, Deutsche Lebens- und Aussteuerversicherungs-A.G., Munich
N.V. De Centrale Arbeiders-Levensverzekerings-Maatschappij, The Hague
Cooperatieve Levensverzekering- Maatschappij Concordia U.A., Utrecht
Constantia-Vie, Societe Anonyme Belge d'Assurances sur la Vie, Brussels
Ungarische Lebens- und Rentenversicherungsanstalt A.G., Budapest

The greatest insurance concern in Germany, which comprises one-seventh of all German insurance business, is the Allianz which, in 1943, obtained a gross premium income in excess of Rm. 600 million. Its great influence in the insurance industry and in the economic framework of German economy is strengthened by its union with the Münchner

Rückversicherungsgesellschaft, the largest reinsurer in the world. Among other Konzern members in which the Allianz, together with the Münchner Rück, holds substantial interests are such important companies as the Neue Frankfurter Versicherungs-A.G., the Kraft Versicherungs-A.G. (the most important German automobile insurer), and the Bayerische Versicherungsbank. The Austrian interests of the Allianz are taken care of by the Wiener Allianz Versicherungs-A.G. The Allianz and the Münchner Rück are also interested in the Karlsruher Lebensversicherungs-A.G., one of the major German life insurance companies. The Allianz owns by itself an appreciable part of the capital of the Globus Versicherungs-A.G. of Hamburg, and of a great many realty companies. The chairman of the board of both the Allianz and the Münchner Rück is August von Finck, senior partner of the Munich banking firm, Merck, Finck and Co. The vice-chairman of the Allianz board and president of the Münchner Rück is Dr. Kurt Schmitt, probably Germany's leading insurance expert.

During the war period, the Münchner Rückversicherungsgesellschaft has played an especially significant role in the expansion of German insurance interests throughout German Europe. This company, as the acknowledged leader of the German reinsurance business, had occupied a prominent place in the international field even before the war. For many decades it had strengthened its ties with insurance companies all over the world and, thanks to its many years of reinsurance experience, was able to offer extraordinarily attractive retrocession facilities to the international market. It held shares in fifty-two insurance companies in twenty-five countries, among which were such important reinsurance subsidiaries as the Union of Zurich, the Societe Anonyme de Reassurance of Paris, the Patria of Milan, and El Fenix Sudamericano of Buenos Aires. The outbreak of war and the expansion of German political and military influence over most of Continental Europe brought vast new opportunities to German reinsurers, especially since the formerly prominent British reinsurers were driven from the field. In order to replace the facilities of the British reinsurance organization, the Münchner Rück established, in collaboration with Italian and Swiss reinsurers, a new European reinsurance cartel, the Vereinigung zur Deckung von Grossrisiken. This cartel, under the presidency of Dr. Kurt Schmitt, does not cover any risks itself but provides machinery for the allocation of risks among its members. The outstanding position of the Münchner Rück gives it immense influence in the insurance industry throughout German Europe, and it is able to take over the cream of the reinsurance business in that entire area. The Munich nucleus at the time of its climax (fall 1943) is shown on the following chart:

NOTE

The chart mentioned on page 24 is in the process of reproduction and will be supplied at a later date.

Other leading German insurance concerns may be briefly described:

The German Labor Front absorbed a number of insurance companies operated until 1933 by the German trade unions. The three principal property companies which it thus acquired were merged under the name of Deutsche Sachversicherungs-A.G. The remaining German Labor Front companies have greatly expanded and have become leading insurance carriers in their respective fields. They are the Deutscher Ring Lebensversicherungs-A.G., the Deutscher Ring Kranken Verein A.G., the Deutscher Ring Transport-und Automobil-Versicherungs-A.G., and the Volksfursorge Lebensversicherungs-A.G.

The Victoria Konzern is the only one in which a life insurance company plays a leading role. The Victoria zu Berlin, the third largest life office in Germany, owns the shares of the two affiliates, the Victoria am Rhein Feuer-und Transportversicherungs-A.G. and (to the extent of 53 percent) the Victoria zu Berlin Feuerversicherung A.G., the latter in turn dominating the Victoria Rückversicherungs A.G. and the Deutsche Versicherungsbank through large share capital participations. A more recent Konzern member is the Vorsorge Lebensversicherungs-A.G. which operates in the industrial insurance field only. In August 1942 the Victoria acquired from the Swiss Reinsurance Company in Zurich the controlling interest in the Anker of Vienna which, in its turn, owns the

Turul of Budapest and thus strengthens its long-standing activities in the Danube region.

The Nordstern insurance group constitutes a Konzern, although a majority of the shares of its two leading companies, the Nordstern Allgemeine Versicherungs-A.G. and the Nordstern Lebens-Versicherungs-Bank, is owned by the Rheinische Interessengemeinschaft (see below). Both companies have managed to maintain their financial independence and to group around themselves important companies. The Nordstern Lebens owns all of the share capital of the Aachener und Münchner Lebensversicherung-A.G. of Potsdam, and the Nordstern Allgemeine owns the Rückversicherungsvereinigung, which in turn held 96.2 percent of the Hamburg Allgemeine Versicherungs A.G.

The oldest and largest company of the Agrippina Konzern is the Agrippina See-, Fluss-und Land-Transportversicherungs-A.G. The latter cooperated in the establishment of three other property companies, namely, the Agrippina Allgemeine Versicherungs A.G., the Mitteleuropäische Versicherungs-A.G., and the Kölner Lloyd Allgemeine Versicherung A.G., as well as the life insurance carrier of the concern, the Agrippina Lebensversicherungs-A.G. The Patria Versicherungs-A.G. and the Bayerische Versicherungs-A.G. in Nürnberg are closely associated with the Agrippina companies.

An important group of German insurance companies belongs to the so-called Rheinische Interessengemeinschaft, which lacks some of the characteristics of a Konzern, since the group members are largely independent from both a financial and an operating point of view. At the same time, there exists within this group a certain measure of interlocking ownership (arranged by means of an exchange of shares) as well as considerable coordination of the operations of the various companies under the leadership of the Aachener und Münchner Feuerversicherungs-A.G. and the Colonia. The former held over 25 percent of the shares of the latter, and each held substantial minority interests in various group members, among which were such important offices as the Colonia Insurance Company of Cologne, the Kölnische Rückversicherung-A.G., the Nordstern companies, and the Aachener Rückversicherungs-A.G.

Colonia Insurance Company, Cologne, owns Schlesische Feuerversicherungs Gesellschaft, Breslau, which in its turn owns the Silesia Allgemeine Versicherungs A.G., Breslau. The latter company is not to be confused with the Versicherungs Gesellschaft Silesia A.G., Bielitz, a former Polish company which is now owned by the Allgemeine Elementar Versicherungs A.G., Vienna, which in turn is owned by the Colonia. Dr. Christian Oertel, Berlin, is president of the boards of Colonia, Allgemeine Elementar, and Silesia. The company had a license to operate in France and administered the enemy interest of the Gresham Life Assurance Society in Amsterdam and the Norwich Union Life Insurance Society, Paris. Colonia also owns the entire share capital of one Danish and one Dutch insurance company.

The only outside concern which does not follow the traditional reinsurance trend toward Munich is the Gerling Konzern. Its organization is based on the principle that all insurance contracts should remain covered with the Konzern and not be reinsured elsewhere. The reinsurance members of the Konzern own most of the capital of the direct insurers and do all the reinsurance business of the latter without retroceding any part of it. The Konzern as a whole, therefore, does not reinsure at all and, since the risks covered by its property insurance members are largely heavy industrial risks, special attention has been paid to the widest possible risk distribution, firstly through the acquisition of a great variety of companies, and secondly through the establishment of life insurance offices, whose premium income greatly exceeds the income from general business.

The Gerling Konzern enterprises may be divided into three groups: property, life, and reinsurance companies. Most of the property insurance business is done by the Gerling Konzern Allgemeine Versicherungs-A.G. and the Eisen- und Stahl Versicherungs-A.G.; the Gerling Konzern Lebensversicherungsgesellschaft, Friedrich-Wilhelm Lebensversicherungsgesellschaft, and the Magdeburger Lebensversicherungsgesellschaft operate in the life insurance business. Gerling reinsurers are: the Gerling Konzern Rheinische Versicherungsgruppe-A.G., which also acts as the holding company of the concern; the Gerling Konzern Rückversicherungs-A.G.; and two foreign companies, the Rheinische Rückversicherungsgruppe in Basel and the Gerling Konzern Duitsch-Nederlandsche Verzekering Maatschappij in Amsterdam.

D. Insurance Trends and Factors

1. Life Insurance. The five years of war have been marked by an unprecedented boom in life insurance. The total business in force leaped from RM 30,500 millions in 1939 to 45,000 millions in 1943, and it is estimated that it will reach about RM 50,000 millions at the end of 1944. Some 56 percent of the population had life insurance policies in 1941, and it is expected that the percentage will rise to 67 percent at the end of 1944. According to a survey made in 1944 by the German authorities, 44 percent of these portfolios are concentrated in the hands of three major groups: namely, the Allianz Konzern (16.2 percent), the DAF, German Labor Front, (11.9 percent), and the public insurance companies (16 percent).[1]

---

[1] In 1924, the respective percentages were: 11.1 percent, 5 percent, 11.6 percent. The increased proportions are a sign of the steadily increasing movement toward concentration.

In spite of this expansion in business, profit and loss accounts of life insurance companies are adversely affected by the rising mortality (war casualties enjoying full insurance protection), by certain relief measures in the form of payment of smaller premiums by persons called up for military service, and by the declining yield of investments due to the rise in quotations of fixed-interest-bearing securities and the consequent drop in actual and effective rates of interest.

Premiums of private and public-law insurance companies were subject to the decree of 26 November 1936, prohibiting price increases, the so-called price-stop regulation. Elaborating on this general prohibition of premium increases, the Reichswirtschaftsminister, in a regulation of 1 February 1938, defined a premium increase as a rise of the contribution of the insurance buyer without a corresponding addition to the obligations of the insurer. Insurers were permitted to apply to the Reichsaufsichtsamt for exemption from the price-stop regulations on individual insurance contracts. Premium increases were generally permitted in the field of property insurance, if the insurance object was exposed to additional risks by action of the insurance buyer, but such increases were forbidden if the risk appeared greater only in the light of claim experience subsequent to the conclusion of the original contract .

In order to popularize themselves, life insurance companies had, from the very beginning of the war, included the war risk without extra charges, and the pre-war premium level is still valid. In 1943 a single levy of 6 per thousand of the sum assured was assessed upon the policyholders as a consideration for the inclusion of the war risks because of the rising number of battle casualties. The yield from this levy could not appreciably improve the critical condition of life insurance; the tremendous losses from the Russian offensive going on since July 1942 and from the Western Front have to be carried by the German life insurance companies as "business as usual." Other factors, such as the impossibility of collecting premiums because of the dislocation of the policyholders or as a result of the interruption of communications, will add to the existing difficulties of collecting premiums from soldiers because of legal restrictions similar to the Soldiers' and Sailors' Civil Relief Act.

It should also be noted that the prohibition of insurance soliciting, decreed for the purpose of rationing and freeing manpower, has unexpectedly resulted in only the so-called poor risks now volunteering for insurance applications while the regular strata of prospective policyholders can no longer be reached in view of the prohibition of publicity. This process of anti-selection is accentuated by the "abuse" of insurance facilities on behalf of German soldiers whose families apply for insurance protection in such unproportionate amounts that various companies have had to place restrictions on the issuance of policies to young people or for large amounts.

The position of the German insurance companies is further aggravated by a constant deterioration of their investments. While in 1930 only 9 percent of the net new investments were represented by securities, the corresponding figure for 1939 was 86 percent and is now over 90 percent.[1] The classical investment outlets of German insurance companies were mortgage loans and real estate investments. They are not only an insignificant factor but they might prove worthless due to intensified air war and the location of the investments in the large urban centers. But regardless of such extrinsic factors, the progressive shift to securities has resulted in a steadily declining yield which must lead to a crisis.

---

1. The development of the investments of insurance companies during the war years may be illustrated by the following comparison of the principal assets of three leading companies at the end of 1939 and 1942:

(Million RM)

Company	Securities		Mortgages		Real estate		Debt certificates of public bodies	
	1939	1942	1939	1942	1939	1942	1939	1942
Gerling	86.8	179.3	104.2	92.4	11.1	14.4	31.2	--
Karlsruhe	90.3	184.8	77.1	74.5	24.0	25.8	25.3	30.3
Gotha	85.6	163.2	84.0	89.8	20.6	21.9	11.9	19.5
Total	262.7	527.3	265.3	256.7	55.7	62.1	68.4	49.8

Whereas in 1928 the average rate of interest was 7.64 percent, the yield obtained in 1942 was on an average of 4 percent and the fall is still continuing. New investments can now be made only at less than 4 percent and the rates of interest on mortgages and policy loans are no better. All 1944 balance sheets show a sharp reduction of the dividends distributed.

2. Property Insurance. In property and casualty insurance, the situation is no less precarious. It is true that the funds administered will not be so heavily loaded with war loans as in the case of life companies and that only in life insurance are war risks included in private insurance contracts. But in property insurance, additional liabilities have been imposed upon German insurance companies in an indirect way. The insurer must now prove that a claim arises from war causes to avoid payment, whereas formerly the burden of proof was on the insured. Accident insurers have to accept without additional premiums the extra risks of blackouts, etc., as well as those of disabled persons, whether the disablement is caused by service in the armed forces or in civil defense. Accident policies also appear to cover accidents arising in connection with air raid protection. Evacuation, sabotage, and wear and tear hazards must be assumed by all companies. In the event of loss, for security reasons, the extent to which detailed investigations can be made is somewhat curtailed. In the case of sabotage,

government channels do not make direct evidence available to the companies.

However, it should be realized that, although many companies are likely to be ruined at the end of this war, there will be varying possibilities of reinstating and using some of them. There are racketeer and profiteer concerns like the Nazi-created Deutsche Ring which have shot ahead in recent years, ignoring the desired business standards of choice and selection. There are concerns like the Allianz which have more than a century of insurance service behind them and which will leave behind an intact, valuable insurance organization, able to revalorize existing policies and perhaps to continue on a fresh course for new business.

Generally speaking, Military Government can expect the reinsurance companies to be in a better position for reconstruction than the direct operating concerns. This is because of the existence of the reinsurance premium reserve which, owned by the German reinsurers, has been deposited with the foreign reinsured client companies. This reserve, which may reach 40 percent of the amount reinsured, not only works as a dissipator of vast German capital into all European countries, but has also saved German concerns from investing large sums in German war bonds and Nazi loans.[1] The importance of these investments will be fully seen from a recent Nazi report on the function of reinsurance in the war,[2] revealing that 70 percent of the whole capital of the German reinsurance concerns is deposited with their reinsured clients, most of which are located in foreign countries. The survey of the position of German reinsurance companies also does not disclose any excessive investment in German or other state bonds of doubtful permanent value; rather it indicates that the increase in funds is tucked away once again with the ceding offices.

---

[1] According to the Deutsche Bergwerks-Zeitung, 19 February 1944, the capital investments of the leading German reinsurance concerns in 1939 and 1941 were composed as follows:

1939	Bonds & partici-pations	Mort-gages	Proper-ties	Cash	Deposits & dues from other cos.
			Percent		
Aachener Ruck	6.87	1.40	0.16	1.30	37.06
Bayerische Ruck	8.94	1.61	2.85	1.26	45.05
Gerling Rhein	11.78	1.05	2.63	1.69	3.57
Gerling Ruck	11.48	13.63	4.88	2.98	1.47
Hamburg Bremer Ruck	5.86	2.10	0.11	0.76	18.57
Magdeburger Ruck	4.20	0.65	0.38	0.71	8.91
Munchener Ruck	107.35	3.87	10.33	10.90	314.26
Victoria Ruck	1.20	1.09	0.84	0.19	43.48
Wiener Ruck	1.39	--	0.28	0.23	10.97
Total	159.57	25.40	22.46	20.02	488.34
1941					
Aachener Ruck	9.20	1.68	0.25	1.18	49.45
Bayerische Ruck	11.20	1.89	3.48	1.83	66.73
Gerling Rhein	17.12	2.83	3.16	3.03	6.49
Gerling Ruck	19.57	17.00	5.68	0.94	6.64
Hamburg Bremer Ruck	5.74	1.96	0.11	0.46	23.03
Magdeburger Ruck	6.32	0.53	0.42	0.81	11.99
Munchener Ruck	148.81	3.07	14.08	17.89	371.82
Victoria Ruck	2.47	1.18	0.90	0.02	67.55
Wiener Ruck	2.35	--	0.27	0.68	14.71
Total	222.78	30.14	28.35	26.84	618.41

[2] Deutsche Bergwerks-Zeitung, 19 February 1944.

E. International Insurance Operations

1. Foreign Insurance in Germany. At the outbreak of the war, operations of foreign insurance companies in Germany were in a state of disintegration. While 73 foreign insurance carriers were licensed in Germany in 1931, their number had shrunk to 51 in 1939 at the outbreak of the war. The aggregate premium income of the German concerns was at that time more than RM 2.5 billion, while the foreign insurance companies licensed in Germany collected only RM 85 million in premiums.[1]

---

[1] According to their country of origin, there were operating in Germany the following foreign companies:

Eighteen English companies:
Atlas: Fire Prem. Inc., RM521,343 (1938); Profit, RM48,746
Commercial Union: Fire Prem. Inc., RM1,404,256 (1938); Profit, RM5,523
Eagle Star: Fire Prem. Inc., RM145,062 (1938); Loss, RM4,078
Guardian Assurance: Fire Prem. Inc., RM419,689 (1938); Profit, RM29,781
Phoenix: Fire Prem. Inc., RM719,842 (1938); Loss, RM31,385
London & Lancashire: Fire Prem. Inc., RM17,411 (1938); Loss, RM2,837
Palatine: Prem. Inc., RM112,720 (1938); Profit RM159,990
Fine Art & General: Fire Prem. Inc., RM17,314 (1938); Profit, RM3,404
North British & Mercantile: Fire Prem. Inc. RM1,724,505 (1938); Loss, RM201,087
Legal & General: Fire Prem. Inc., RM313,215 (1938); Loss, RM717
Liverpool & London & Globe: Fire Prem. Inc., RM300,914 (1938)
Norwich Union: Fire Prem. Inc., RM37,116 (1938)
Pearl: Fire Prem. Inc., RM62,580 (1938)
Northern Insurance Co.: Fire Prem. Inc., RM98,650 (1938); Loss RM1,125
Royal: Fire Prem. Inc., RM358,630 (1938); Profit, RM905,038
Prudential: Fire Prem. Inc., RM614,980 (1938); Profit, RM27,497
Sun: Fire Prem. Inc., RM190,431 (1938); Loss, RM4,371
London Assurance: Fire Prem. Inc., RM20,078 (1938); Loss, RM4,531

Fifteen Swiss companies: Helvetia, Alpina, Basle Life, Basle Transport, Federal, Neuchatel, Switzerland, Schweizerische Leben, Schweizerische National, Winterthur, Union Swiss, Vita, Winterthur Life, Winterthur Accident, Zurich

(Footnote continued on following page)

In 1942 their number had shrunk to 44 because all English and American companies, with one exception, had been liquidated. According to the country of origin, the following countries were at that time participating in German direct insurance operations:

Swiss	15	companies	licensed
Czech	2	"	"
Italian	5	"	"
Swedish	7	"	"
Danish	5	"	"
Dutch	6	"	"
Hungarian	2	"	"
Japanese	2	"	"

2. German Insurance in Foreign Countries. In contrast to the decline of foreign direct insurance operations in Germany, German insurance operations in foreign countries expanded on an unprecedented scale from September 1939 to 1944. Roughly speaking, the number of German direct insurers abroad has increased by more than 50 percent. The Munich Reinsurance Company and its "Association for the coverage of Major Risks" have achieved a virtual monopoly in

---

(continuation of footnote from previous page)

Six Netherlands companies: Batavia, Brand of 1790, Netherlands of 1845, Gravenhaag, Netherlands Brand of 1842, Noord Zuid

Six Swedish companies: Skane, Svea, Atlantica, Gouthied, Oeresund, Sverige.

Six American companies: Glens Falls Insurance Co., Great American Insurance Co., Hartford Fire Insurance Co., Northeastern Insurance Co. of Hartford, Home Insurance Co., Westchester Fire Insurance Co.

Five Danish companies: Baltica, Denmark, Allgemeine Brand Assekuranz, Nye Danske of 1864, Nordisk Brand Insurance Co.

Five Italian companies: Assicurazioni Generali, Europa, Fiume, Levant, Riunione Adriatica

Two Japanese companies: Imperial Marine & Fire Ins. Co., Tokio Marine & Fire Insurance Co.

Two Norwegian companies: Bega, Aeolus
Two Hungarian companies: Fonciere, Union

the European insurance market excluding the British firms, which were once firmly entrenched in the continental market.

In order to achieve such penetration, German insurance and reinsurance companies have not resorted to outright looting methods, but have, from the very beginning, realized that the nature of insurance operations requires very different techniques of penetration or exploitation than those employed in other economic sectors. The Germans know well that profits rather than premium are the vital factors, a truth which has caused them to scrutinize each new acquisition and to make their selections with caution. The pace of penetration is accordingly slow, legalistic, and conservative. There is little overt interference by military or political elements. At the beginning of 1944 the following features characterized the penetration:

a. British insurance interests in the occupied areas have been taken over largely by the Germans and, to a lesser extent, by the Italians. Their elimination from the market is complete if one disregards such contacts as London still has on the Iberian Peninsula. In Switzerland and Scandinavia, the difficulties of communications have put an end to British business.

b. Local companies were originally forced to close for racial and political reasons, only in a few areas (Luxembourg, Alsace, Poland, and in some Serbian and White Russian territories). During 1943, the manpower shortage gave a new impetus to a reduction of domestic companies, adding to the wealth and power of the Nazis' own concerns.

c. Collaboration, which has been of value in the penetration of insurance companies, notably in France and in the Axis satellites, diminished as a factor during 1943. In the instance of Rumania, Nazi influence has been actively reduced through the "Rumanization" decrees setting up a purely Rumanian government monopoly.[1]

d. In consequence of the maxim that "insurance falls where ownership falls," the vast changes of control of ownership of all European war industries into Axis hands have resulted in large accruals to German insurance portfolios.

e. Where, as there was in Holland and Belgium, reluctance or passive resistance to let German insurance into the market, pressure has been exerted by the local insurance authorities to have the Germans (and Italians) participate in the insurance coverage.

f. As a matter of basic policy, only German and Italian companies have been allowed a share in international business, restricting local companies to local activity. The allotment of business in occupied areas between the Axis partners followed no single pattern. In some countries their shares wereequal; in others the Germans accepted a minor part, although they conquered the country, and gave the lions' share to the Italians; while in others the Germans assumed the lead to the detriment of the strong positions which the Italians had before the war. In such countries as Austria, Poland, and Czechoslovakia, for example, the leading

---

[1] Its jurisdiction is steadily increasing. Cf. Neue Zuricher Zeitung, 4 Jan. 1944.

Italian concerns operated side by side with the Germans, but Italian business no longer enjoyed the position it held before Germany invaded these countries. In another group of countries, however, the Germans have abstained from competing or interfering and the Italians were free to develop their organizations, which already existed in Croatia,[1] Serbia, Dalmatia, and Greece. A third group, formed of the countries in which Germans and Italians have penetrated on a competitive basis, included the Iberian Peninsula, and France and Rumania while they were still occupied. Finally, a fourth group was comprised of those countries in which the Germans nursed Italian business and tried to give it a status it lacked (Holland and Scandinavia).

g. In addition to the creation of "spheres of influence" in the occupied areas, Axis insurance cooperation is effected within Italy and Germany by way of liaison between the major concerns and the establishment of jointly-owned insurance firms. Exchange of information on operational data, claims experience and trade secrets has been practiced and propagandized as a major contribution to the New Order; at the present time, the working arrangement between the Axis companies probably provides for an extensive transfer of the Italian organizations, including assets, to a German-guarded sanctum in the Alps, or within Germany, while the long-standing close friendships and social contacts among the leading German and Italian executives will be used to provide a haven for the Italians and their families, unless they preferred and managed to escape to Allied-held territory.

---

[1] Very recently, there have been indications that the Germans support local interests against the Italians in areas threatened by the Allies. Under German auspices, a "National Croatian Reinsurance Company" has now been set up, in violation of Italo-Croatian monopoly agreements.

III. RECOMMENDATIONS

A. General Aims

Any plans concerning German insurance must be designed to achieve the following aims: the guarantee of Allied security; the dismantling of the insurance structure by which Germany has infiltrated into foreign fields; the restoration of international insurance exchange. To integrate these aims, it is proposed to prohibit German direct or reinsurance interests from entering foreign markets, either directly or indirectly, to permit operations of foreign insurance carriers in Germany, to liquidate the Munich combine, and to implement the enforcement of those goals by the establishment of an Allied Insurance Controller, working closely with the existing German state insurance controls.

These recommendations are based on the following considerations:

1. German insurance would enjoy a certain freedom within its borders.

2. The Allies would be relieved of the ungrateful and probably impossible task of running German insurance.

3. The geographical distribution of German risks necessary for their equalization would be assured on a world-wide basis by the readmission of Allied private insurance in Germany on the pre-war basis and a possible expansion

of those interests.

4. Allied insurance companies normally hesitant to engage themselves in Germany would be encouraged to accept German business because the detailed market knowledge of the Munich combine in liquidation could be placed at their disposal, with the assistance of the Allied Insurance Controller.

5. Through the participation of Allied markets within Germany, the German insurance industry could, if necessary, be rehabilitated and if later deemed advisable, be stimulated by getting a share of Allied business.

6. Finally, as every German insurance move outside its borders would be prohibited and as every move within its borders is, under the present legislation, under the supervision of the German state insurance authorities, the Allies will be enabled to exercise a concentrated control through the Allied Insurance Controller without great effort and, at the same time, occupy a dominant position overlooking the trend of the whole industry.

B. The Legal Basis of Power over German Insurance

Pending the issuance of guiding directives by the United Nations (such as that of 5 January 1943 on the Invalidation of Acts of Dispossession Committed in Territory Occupied or Controlled by the Enemy), or the conclusion of documents of surrender, the limits of power of Military Government as to German insurance within Germany are fixed by custom and international law; German insurance in foreign countries is governed by the local laws regarding enemy property inasmuch as those countries are at war with Germany or perpetuate their trading with the enemy legislation after the cessation of hostilities. The powers derived from Military Government from German, foreign, or international law affect insurance in various ways and in various degrees.

1. Until directives from the United Nations, or those contained in the documents of surrender, establish anything to the contrary, Military Government should retain local laws and customs so far as is consistent with military purposes (par. 9-H, Field Manual 27-5). Military Government may well bear in mind the fact that the framework of German statutes and administrative regulations over insurance companies is such that they constitute in themselves a wide basis of control over the German insurance industry and place the agency exercising them--the Reichsaufsichtsamt fuer Privatversicherung--in a position of power. This situation is particularly true for the licensing of insurance carriers and the regulation of distribution of insurance information, strategic intelligence relating to insurance and corporate interconnections with other industries. The work of the office is of prime importance because of the legal, economical, technical and actuarial experience upon which its regulations, tested and improved for over fifty years, have been built. Its retention is necessary to keep the domestic industry moving and to secure a sound operational basis for the Allied

control through the Munich pool; in the absence of directives or the conclusion of surrender terms, moreover, their retention might well increase the control over German insurance which the Allied Insurance Controller may assert, particularly for purposes of cooperation with individual enterprises and borderline cases. It is, therefore, recommended that when military necessity requires the suspension or modification of any controls placed by the Allies over German insurance, the Reichsaufsichtsamt be consulted in order to assess the impact of any extreme modification that may be envisaged.

2. The Hague Conventions of 1899 and 1907 give the occupying powers two broad rights of use and possession in regard to "public property." All German public insurance companies, as defined before, come within the "public property" classification and therefore justify direct intervention of the Allied Insurance Controller into the insurance operations of those organizations.

3. Similarly, the network of insurance organizations affiliated with the German Labor Front and the Nazi party in general will justify treatment by Military Government based on the same legal consideration. These enterprises may be considered public, not only when it should be found that the state or the Nazi party owns a majority of the stock, but also when the minority stock interest or the Party political controls are large enough to give control of

votes or are supplemented by devices of control over directors or leading officials.

4. The powers conferred by international law upon public property are restrictive. Although there has been increasing activity by the Nazi party and by the German Government over insurance companies by way of general economic and political controls typical of a total war of a totalitarian state, there seems to be no legal basis for treating the whole German insurance industry, including the Munich combine, as public property because of those interconnections. Bearing in mind, however, that the decisive Military Government interference in German insurance is not in the domestic but rather in the foreign field, the war legislation of the Allied nations already includes sufficient powers to sever existing German insurance ties in Allied and liberated nations; in other words, an extension of the American, British, and governments-in-exile legislation regulating trading with the enemy will (if necessary to supplement) be the means to channel the flow of insurance and reinsurance between Germany and those countries in the desired way.

With regard to German interests in neutral countries, a distinction must be made between German property in those countries and German contracts with neutral firms. Unless the United Nations' directives or the documents of surrender specifically provide otherwise, property can only be liquidated with the consent of the German parent company. In practice, however, it might be possible to break the resistance of obstructing German firms through control over German foreign trade and foreign mail and communications.

Contractual relations existing between German insurance and reinsurance firms and foreign enterprises can be dissolved or suspended under German law and international insurance custom by application of the *clausula rebus sic stantibus* (dissolution of contractual relations because the basis of the agreement has completely changed).

C. Allied Insurance Controller

As pointed out above, the need for control of insurance stems from both strategic and economic reasons. In such a a situation, it is important that, as in the case of foreign trade and exchange controls,[1] central decisions be made concerning the flow of German insurance and reinsurance abroad and that the planning be established on all levels of German insurance.

The organization called upon to carry out this aim is, for the purpose of this Guide, called the "Allied Insurance Controller." The composition and range of duties of the control office may take any one of a number of different forms. It may be composed solely of representatives of the occupying powers, or it may include representatives of other

---

[1] See Civil Affairs Guide: *Foreign Trade Control in Germany*.

United Nations and of de-Nazified German agencies as well. In any event, no elaborate control machinery has to be set up; a mobile unit of a few Allied experts acquainted with the German market conditions and respected by the Allied insurance industry should be able to fulfill the task. The staff of the Controller will have to do ambulatory work in Munich, Berlin, and the principal cities of Germany. Munich is the seat of the Munich Reinsurance Company through which all German and most European reinsurance is channeled at the present time. Because the central files and records and most of the secrets of the trade are guarded there and because of the elaborate housing and technical facilities set up by the Munich Reinsurance Company, this city appears as a natural center for the operations of such a Controller.

Much work will also have to be done in Berlin with the Reichaufsichtsamt where all the official and domestic data of the German insurance carriers are recorded, and where a trained staff of actuaries, government officials, and insurance economists with detached views toward individual companies are available. In order to exploit such data to the fullest and because contact must be maintained with the managing bodies of the companies, which are scattered all over Germany, with Leipzig, Stuttgart, Cologne, and Gotha as the main centers, the Controller will more conveniently function with a mobile unit.

Following the functions of the Controller, it is recommended that the work be subdivided into two separate branches.

1. Operations Branch. This branch would supervise the liquidation of the Munich Reinsurance combine on the German side and act as a government representative for the Allied insurance interests on the other. In this latter function, the Controller would give mere assistance but not act as intermediary on behalf of the Allied insurance companies which would accept or refuse the German insurance and reinsurance at their own terms and risks.

a. The Controller would, furthermore, implement the policies of the United Nations with regard to property restitution in the field of insurance and reinsurance where complicated technical and actuarial problems have to be faced. He would apply the assets of individual German insurance carriers operating abroad to the debts of the same concern arising out of portfolios acquired from British and American companies operating in Germany at the outbreak of the war.

b. Furthermore, the Controller will have to supervise the liquidation or continuation of existing insurances now carried by Allied nationals in Axis countries and with respect to those Axis companies which will no longer be permitted to operate in foreign areas.[1] The Controller would thus assist the property control commissions in a highly technical field and serve as a link with British and American companies for advice, comments, and proposals.

---

[1] The Treaty of Versailles had extensive provisions on the liquidation of such portfolios. Because of the lack of a unified policy, it has utterly failed to protect Allied interests and favored enemy nationals against Allied companies. Cf. R. D. Taylor's "Life Insurance and the Peace Treaty," an address at the annual meeting of the Legal Section, American Life Convention, Chicago, 4 October 1943.

c. The Controller should cooperate with Military Government in the elimination of Nazis in key positions from the German insurance structure.

d. Finally, the Controller, as the official agent of Allied Military Government, would have to act as the surety toward the German state control authorities for the compliance with German supervision of Allied insurance interests. It is also recommended that only such Allied companies will be permitted by the Controller to participate in the pool as are willing to give an undertaking which satisfies the financial standings required by the Controller.

2. Intelligence Branch. The purpose of this branch is to secure and scan all insurance records for the purpose of obtaining important political, military, and economic information. While all this material should be of value for military intelligence and security purposes, the Controller should have the responsibility of seeing that the records are handled and the data disclosed as a source of information for the Allied intelligence services only and are not used as a device for the expansion of Allied insurance interests. The cooperation of the German insurance companies with the Controller and their willingness to divulge their trade secrets will greatly depend upon the discretion with which the Intelligence

Branch proceeds and only a selected staff trained for those functions should work for the Controller and come in contact with German insurance.

D. Implementation of Control

The establishment of an Allied Insurance Controller is not enough. Violations of his instructions through omission and commission are bound to arise unless certain structural changes are arranged, designed to support the Controller in the attainment of the aforementioned goals. To this effect, it is recommended:

1. to prohibit German insurance activities abroad, directly or indirectly, through insurance or reinsurance, except under license;
2. to liquidate the existing organization of the Munich Reinsurance Company as the institution through which most of the German insurance carriers (including the Munich Re combine itself) now have to operate when dealing with foreign insurers;
3. to permit United Nations' insurance carriers either to operate directly in Germany or to reinsure German business.

Some phases and mechanics of these proposals are outlined below:

1. Freedom of German Insurance within Germany. Insurance is a matter of experience. Before the war, American insurance had little experience in Germany and the British specialized

only in certain lines. Russia did no business at all. Allied insurance experts will agree that German insurance can be operated only on the basis of a substantial knowledge of the conditions of her market in general and of the individual companies in particular. The United Nations will probably not be able to enlist a sufficient number of insurance experts to run satisfactorily the German insurance industry while German experts are kept as mere bystanders.

Since restrictions upon personnel will prevent Military Government from taking full charge of operations, it can be maintained that it would be inadvisable to interfere so drastically. From a more technical standpoint, the nucleus of the German insurance industry is soundly constructed and the insurance carriers may be kept in their present corporate structure.

The problem of de-Nazification of personnel itself is dealt with in other guides.[1] To implement the general security program in the field of insurance, insurance individuals with a history of Nazi affiliations must be removed from key positions of control where they could be potential sources of active or passive sabotage or of frustration of Military Government directives. Because Military Government will not interfere with domestic insurance operations, no major danger, so far as the

---

1. See Civil Affairs Guide: Elimination of Nazis from the German Banking Structure.

insurance structure is concerned, lies with the lesser and more obscure officials, relatives or other individuals. Censorship over mail and cable communications and trade controls imposed upon German-foreign relations generally will assist the Allied Insurance Controller in preventing the circumvention of Military Government's purposes.

Furthermore, it is anticipated that it will be impossible, at the outset of the occupation, to get a quorum of the board of directors that will be both competent and politically reliable. It is, therefore, recommended that, where necessary, the Allied Insurance Controller be substituted for the board of directors until more normal conditions prevail. Likewise it is felt that at the outset of the occupation, it will be impractical to hold stockholders' meetings until de-Nazification of the enterprises is assured. Such meetings have already, prior to the occupation, been suspended under the Law of 23 December 1943. Under this statute, meetings could only be held when vital issues are at stake concerning the future of the company and the permission of the Reichsaufsichtsamt has to be obtained in the case of insurance companies.

2. Exclusion of German Insurance from Foreign Markets. The Treaty of Versailles sought to restrict German insurance operations abroad, at least temporarily, for a reason that is just as important today as it was in 1919: to prevent German

intelligence from obtaining strategic information through German insurance activities abroad. As early as the spring of 1918 the International Parliamentary Commerical Conference resolved in London "to cause to be convened an inter-Allied conference to consist of representatives of insurance interests for the purpose of examining what measures the Entente should take in order to withdraw insurance operations from enemy concerns and to distribute among themselves the benefits of reinsurance." Actually, all Entente countries banned German insurance carriers from re-entering in 1919; but in the wake of the rising disharmony between the Allies in the administration of the Treaty, each country went its own way in the years that followed, and Germany was soon successful in having the insurance ban in many territories relaxed or entirely lifted. In other countries, it lived a shadowy life to 1 September 1939.

Whether it shall be legitimate again to exclude German insurance from the foreign market for competitive reasons, shall not be discussed here as the answers lie in political factors. There is, however, a justification in the argument that Germany should not have access to Allied intelligence through her foreign insurance activities. Under such circumstances, German insurance interests in foreign countries may be disposed of for a fair price to the highest bidders among local or international insurance carriers. All German-owned, German-controlled, or German-staffed enterprises in what is now occupied territory should be immediately taken into Allied custody or trusteeship of the local government of liberation until such time as the existing local or Allied insurance interests are willing to take over the German-controlled portfolios. The technical details of this procedure can closely follow the schemes set up in 1918 in Belgium, Alsace-Lorraine, and Poland where German and Austro-Hungarian insurance companies were expelled and their portfolios, without exception, were absorbed by local and foreign capital. In many cases this procedure is tantamount to a return to the former owners. Absorptions by local interests can be expected without undesirable "vacuums" in risk coverage, since the local market is familiar with the conditions and will have to learn little that is new.

3. Operations of Allied Insurance in Germany. It is recommended that Allied insurance and reinsurance companies shall operate in Germany, both through direct writing and through reinsurance, on a competitive basis with remaining German companies and subject to the same technical and actuarial control as German companies.

The British companies seem to incline to resume their activities in Germany on a pre-war level, i.e., by way of direct insurance and by reinsurance. American participation in the German market was insignificant but insurance circles in this country have expressed the view[1] that participation through reinsurance would not give the American client the American protection that he is accustomed to receiving from his company in the United States and implying that direct American business in Germany should be encouraged. Only through direct business, companies would acquire permanent agencies' plans and portfolios.

---

[1] Ugo Guerrini in the Eastern Underwriter of 4 February 1944.

From a technical standpoint, as well as in the interest of Military Government, there is every reason to stimulate operations of Allied insurance carriers in Germany at an early date. Insurance isolation of Germany is technically unsound and the aftermath is likely to retard the rehabilitation of the German insurance industry, which may leave its effects upon the European market as a whole. Therefore, the absence of foreign interests from the German market might encourage the establishment of a German national insurance pool, a possible forerunner of the nationalization of the entire German insurance business, and thus prejudice the international structure of private insurance.

It is also felt that the contemplated liquidation of the Munich combine and the existence of an Allied Insurance Controller should be taken as encouragement and possibly as assistance by the Allied insurance companies. When it is remembered that a reinsurer is bound to accept all business which may be ceded to him under a treaty and has no power to alter the risk or to regulate the amount he will accept, it is obvious that the underwriting policies and the "character" of the ceding companies are of the utmost importance. The

Allied insurance companies contemplating entering Germany have had no opportunity to acquaint themselves with local conditions for almost a decade. Even in normal times the Allied companies would, therefore, have been hesitant to take any large business from German companies which have not stood the test of time and experience. It is self-evident that, under the present circumstances, Allied insurance will be more than cautious in entering into business relations with individual German companies. Therefore, they might welcome being guided by the Allied Insurance Controller, who should make available to them the underwriting data of the Munich Reinsurance Company in liquidation; this company has had a unique experience, with its long history, its intimate knowledge of the standing of the individual companies, the quality of its management, and the general characteristics and limits of retention for the different German areas from which the business will be derived.

A necessary counterpart of this policy on the part of Germany will be the admission of Allied and other foreign insurance carriers within Germany under the same conditions as domestic carriers. Such a provision is already part of the Treaty of Versailles in its articles 266 and 267. All present regulations discriminating between foreign and German insurance will have to be repealed. On the other hand, no favoritism should be shown to any foreign insurance companies; they should remain subject to the same deposits, reserves, and supervisory provisions as are imposed upon domestic carriers.

4. Liquidation of the Munich Reinsurance Company. At the present time, the Munich Reinsurance Company is the largest company in the world which writes reinsurance exclusively. It fulfills a double role. Its domestic function is to provide German direct operating companies -- in particular the German Allianz concern -- with reinsurance. Its foreign role consists in serving as parent company to a network of foreign affiliates, subsidiaries, and contractual ties.

Inasmuch as the Munich Reinsurance Company furnished the organization for German insurance penetration in the years 1940 to 1943, its activities should cease automatically without Military Government interference because of the failure of insurance companies in liberated areas to renew their ties with the Munich and its affiliates. In such cases where "collaborators" in liberated areas should seek continuance of relations with the Munich combine, municipal Trading-with-the-Enemy legislation and the envisaged prolongation of enforcement of the present "black lists" (on which all Munich affiliates in neutral countries appear) would serve as a deterrent. Beyond this, the flat prohibition of German insurance operations abroad, directly or indirectly, as recommended in this Guide, should bring to a standstill the entire foreign operations of the Munich Reinsurance Company. As a matter of security and to implement the aforestated goals, it then appears expedient to liquidate the Munich Re altogether as the core of the German foreign interests. The nucleus of the Munich system might serve otherwise as a machine for the expansion of insurance activities of German companies or the German government in foreign countries once the Allied control over German business and industry is abolished or relaxed. The Munich "general staff" might go underground anyhow, but a revival of its power is infinitely more difficult once the technical structure of the combine is destroyed or dissipated.

On the other hand, a dissolution of the Munich enterprise would be beneficial to the remaining German companies and the Allies alike. As long as the Allied Controller exists and no machinery of the type of the Munich combine survives, the natural consequence will be that the German insurance companies will first of all endeavor to exchange reinsurance among themselves insofar as German business is concerned and will then apply to Allied insurance companies for reinsurance assistance in cases where the assistance given them by the other German companies is insufficient or unavailable. When the Allied control is abolished or relaxed, the German insurance companies will still find it difficult to resume their contact with foreign insurance concerns on their own account if, during the period of Allied control, the central planning board for such operations has been destroyed, necessitating, therefore, the setting up of a new organization which would take both time and great effort to get in working order, and which in all likelihood would require the guidance and influence of the Allied powers.

It is not believed that the recommended liquidation of the Munich Reinsurance Company would endanger the stability of the domestic German market. There will be sufficient German insurance carriers left, capable of accepting the reinsurance load thus far carried by the Munich. Excess and unusual risks were covered in the London market before the war anyhow, and those facilities, together with the American market, should be available for German insurance needs on an even broader scale under the aforestated scheme. A forced liquidation of German insurance enterprises other than the Munich Reinsurance Company is not contemplated, although several insurance establishments might collapse as a result of purge and de-Nazification of personnel and portfolios. It is true that the Munich Reinsurance Company is not the only artery through which German-foreign insurance relations are channelled. There is, however, no German establishment which, in tradition, efficiency, quantity, and quality of the foreign business acquired or controlled, comes anywhere close to the Munich combine.[1]

---

[1] Companies

Companies	Premium Income		Companies	Premium Income	
	1938	1939		1938	1939
Aachener Ruck	17.03	17.78	Hamburg-Brem.Ruck	13.89	13.33
Bayerische Ruck	27.37	31.71	Kolner Lloyd	2.80	2.70
Dtsch.Ruckvers.Ges.	14.27	16.52	Kolnische Ruck	44.84	45.56
Dtsch.Vers.G., Brem.	2.13	1.95	Leipziger Allgemeine	4.09	4.09
Dresdner Ruck	0.48	0.47	Magdeburger Ruck	8.96	8.47
Eisen und Stahl	6.74	8.70	Munchener Ruck	218.32	210.14
Fortuna Ruck	6.66	6.60	Ruckvers. Colonia	3.39	3.31
Frankona Ruck	38.72	39.14	Ruckvers. Vereinig	9.83	10.29
Gerling-K.,Rhein	13.79	12.34	Silesia	1.72	1.98
Gerling-K. Ruck	21.39	22.43	Stettiner Ruck	1.53	1.64
Gladbacher Ruck	1.36	1.44	Victoria	10.69	11.75

(Zeitschrift fuer Versicherungswesen, 18 December 1940)

The outright prohibition of German insurance abroad, as recommended above, should not make necessary a complete closing of all the other firms which did foreign business in competition with or in support of the Munich combine. The continued existence of those insurance carriers which form the bulk of the German domestic market is not only considered advisable in the interests of the stability of the German insurance industry, but also a welcome means of absorbing such portions of domestic reinsurance and retrocessions as will have to seek cover as a result of the liquidation of the Munich Reinsurance Company. This thought includes not only those insurance carriers which thus far have competed with the Munich but also the German affiliates of the Munich Re itself, in particular the Allianz concern. The main functions of those affiliates within Germany was always in the field of direct domestic insurance, while the reinsurance and foreign business was specialized with the Munich Reinsurance Company itself and its foreign affiliates. It is neither necessary nor practical to extend the fate of the Munich Reinsurance Company to its German affiliates. A dissolution of the Allianz concern alone would be tantamount to the destruction of more than half the power of the domestic structure altogether and therefore impose a load upon the Allies which they are neither able nor willing to carry.

The foregoing analysis of the respective viewpoints of the Munich combine, the remainder of the German companies, and the envisaged Allied participation presupposes a state of affairs which is unaffected by outside considerations as exemplified by currency inflation, exchange barriers, and general political and social upheaval. Furthermore, it excludes from the scheme all "pre-zero" obligations, i.e., risks attaching prior to the termination of this war or liquidation of the Munich, for none of the Allied insurance companies will show any inclination to pay the bill for the Nazis. The unscrambling of incurred or matured obligations arising out of pending Munich contracts and the possible transfer of liabilities and portfolios to German or foreign enterprises must be segregated from the project discussed here and handled as a matter for separate consideration. That feature will of itself be a sizeable undertaking.